



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 22, 2009

**TO:** Mayor and Councilmembers

**FROM:** Human Resources, Administrative Services Department

**SUBJECT:** Approval Of Benefit Plans Effective January 1, 2010

**RECOMMENDATION:** That Council:

- A. Approve renewal of the Aetna and Kaiser Permanente medical plans; Delta Dental Plans; Vision Service Plan; Employee Assistance Program (EAP); Flexible Spending Accounts; Hartford Life and Disability Insurance Plans; Allstate Voluntary Disability Plans, and Aliquant for benefits administration services; and
- B. Authorize the Administrative Services Director to execute any necessary contracts or amendments to agreements or contracts.

### **DISCUSSION:**

Each year the City obtains renewal rates for the benefit plans covering its eligible active and retired employees. These benefit plans include medical, dental, vision, Employee Assistance Program, Health Care and Dependent Care Flexible Spending Accounts, life insurance, and disability insurance programs.

Staff coordinated the renewal process with the City's benefits broker, Wells Fargo Insurance Services, Inc. The Employee Benefits Committee, which has a representative from each of the City's employee groups, reviewed the renewals. Staff and the Employee Benefits Committee recommend that the City renew its agreements with all current health, life and disability plan providers.

### **Medical Plans**

The City currently has contracts with Aetna and Kaiser (available to Ventura County residents only) to provide medical coverage to its employees and retirees. A Health Maintenance Organization (HMO) plan is offered by both carriers. In addition, Aetna offers a Preferred Provider Organization (PPO), the Aetna HealthFund - Health Reimbursement Account (a consumer driven high deductible PPO plan with a personal care account) and the Aetna HealthFund - Health Savings Account (an IRS qualifying high deductible PPO plan with a portable savings account funded through federal pre-tax payroll contributions).

Renewal rates for employees and retirees under age 65 were based on the claims experience of the pooled members. There are no recommended benefit changes to the Aetna and Kaiser medical plans. Final proposed overall rate increases are 3.0% for the Aetna HMO; 8.8% for the Aetna PPO, the Aetna HealthFund – Health Reimbursement Account and the Aetna HealthFund Health Savings Account, and 4.6% for the Kaiser Permanente HMO.

Over-age-65 retirees are enrolled in the Aetna PPO, Aetna Medicare Open Plan and Kaiser Permanente HMO.

Medicare-eligible retirees enrolled in the Aetna PPO and the Kaiser plans have a supplemental level of coverage after Medicare benefits are paid. Final proposed overall rate increases are 5.7% for the Aetna PPO and 3.9% for the Kaiser Permanente HMO.

Medicare-eligible retirees enrolled in the Aetna Medicare Open Plan have coverage availability nationwide through providers that accept Medicare assignment and Aetna terms and conditions. The Aetna Medicare Open Plan provides coverage for all Medicare Parts A and B covered benefits plus additional benefits not covered by Medicare, such as hearing aids, eyewear allowances and an open formulary prescription drug program. The premium rates for the Aetna Medicare Open plan are based on the county where the retiree resides. There are currently 84 over-age-65 retirees enrolled in the Aetna Medicare Open Plan of which 72 reside in Santa Barbara County. Additional rates, by state and county, are provided as needed.

#### Dental Plans

The current dental plan offerings include the Delta Dental DPO plan (similar to a medical PPO model plan with a large provider network), and the Delta Dental DMO plan (similar to a medical HMO model plan with a smaller provider network). The 2010 renewal for Delta Dental includes a 4.3% increase for the DPO plan and a 2.6% increase for the DMO plan.

#### Vision Plan

There is no change to the Vision Service Plan (VSP) rate. The VSP renewal for 2009 included a rate guarantee for 3 years for no change to the premium rates through 2011.

#### Employee Assistance Program (EAP) – Employer Paid Fees

OptumHealth Behavioral Solutions provides outpatient psychological services for the City's Employee Assistance Program. The 2010 renewal includes a 4.8% increase to the premium rate. There was no rate change for the previous five consecutive years.

#### Flexible Spending Accounts – Employer Paid Fees

The Health Care and Dependent Care Flexible Spending Accounts are administered by Conexis. The 2010 renewal fees have an overall increase of 4% to the program administration fees.

Life/AD&D Insurance and Long Term Disability Insurance Plans – Employer Paid Premium

The Hartford Insurance Company administers the Life/AD&D and Long Term Disability Insurance Plans. The 2010 renewal includes a 40.5% premium rate reduction for the Life/AD&D Plan and a 14.5% premium rate reduction for the Long Term Disability Insurance Plan.

Short Term Disability Insurance Plan – Employee Paid Premium

The Hartford Insurance Company administers the voluntary employee paid Short Term Disability Insurance Plan offered to Management, Police and Supervisors. There is a proposed 2010 rate reduction of 10.7% for the Police group rate and no proposed rate changes for the Management and Supervisor groups.

Allstate will maintain the current individual policy rates for the Management voluntary employee paid Accident and Critical Illness Disability Plans.

Summary

Staff and the Employee Benefits Committee recommend that the Aetna and Kaiser medical plans, Delta Dental, VSP, EAP, Flexible Spending Accounts, Hartford Life/AD&D and Disability Insurance Plans be approved for 2010 at the proposed rates.

Proposed 2010 monthly rates for Aetna HMO, Aetna PPO, Aetna Health Reimbursement Account, Aetna Health Savings Account, and Kaiser Permanente for employees and retirees under-age-65 are listed in Attachment 1.

Proposed 2010 monthly rates for the Aetna Medicare Open Plan for retirees over-age-65 are listed in Attachment 2 and are based on the counties where retirees reside.

Proposed 2010 monthly rates for Delta Dental plans, VSP, EAP, Flexible Spending Accounts, Hartford Life/AD&D and Disability Insurance Plans for employees are listed in Attachment 3.

**BUDGET/FINANCIAL INFORMATION:**

No additional appropriations are needed beyond the current FY 2009-2010 budgeted amounts. With Plan Year 2010 renewal changes to City-paid premiums and fees, there will be an estimated overall City cost savings for FY 2009-2010 of \$58,100 due to premium reductions to the Life AD/D Insurance and Disability Insurance Plans, and nominal fee increases to the Employee Assistance Program and Flexible Spending Account Program.

**ATTACHMENTS:**

1. 2010 Medical Plans Monthly Premium Rates
2. 2010 Aetna Medicare Open Plan Monthly Premium Rates
3. 2010 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Disability and Life Insurance Plans Monthly Premium Rates

**PREPARED BY:** Clare Turner, Benefits Analyst

**SUBMITTED BY:** Marcelo Lopez, Administrative Services Director

**APPROVED BY:** City Administrator's Office

## 2010 Medical Plans Monthly Premium Rates

MEDICAL PLAN	CURRENT 2009	PROPOSED 2010
<b>HMO – Aetna</b>		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 495.10	\$ 509.59
Employee and One Dependent	\$ 978.21	\$ 1,007.20
Employee and Family	\$ 1,268.09	\$ 1,305.77
<b>HMO – Kaiser Permanente</b>		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 383.96	\$ 401.31
Employee and One Dependent	\$ 755.92	\$ 790.62
Employee and Family	\$ 979.10	\$ 1,024.21
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 211.70	\$ 219.79
Retiree and One Dependent	\$ 411.40	\$ 427.58
<b>PPO – Aetna Open Access Managed Care Plan</b>		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 542.54	\$ 590.29
Employee and One Dependent	\$ 1,092.92	\$ 1,190.20
Employee and Family	\$ 1,423.13	\$ 1,550.13
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 507.18	\$ 535.98
Retiree and One Dependent	\$ 996.68	\$ 1,055.94
<b>Health Reimbursement Arrangement – Aetna HRA</b>		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 381.98	\$ 415.28
Employee and One Dependent	\$ 751.96	\$ 818.56
Employee and Family	\$ 973.95	\$ 1,060.53
<b>Health Savings Account – Aetna HAS</b>		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 327.59	\$ 355.99
Employee and One Dependent	\$ 643.19	\$ 700.00
Employee and Family	\$ 832.54	\$ 906.39

## 2010 Aetna Medicare Open Plan Monthly Premium Rates

All rates are on a per member per month basis

State	County	CURRENT 2009	PROPOSED 2010
Arizona	Cochise, Greenlee, Pima, Yavapai,	\$ 315.30	\$ 335.40
California	Santa Barbara	\$ 224.80	\$ 224.80
	Kern, Riverside, San Luis Obispo, Ventura	\$ 334.20	\$ 335.40
	Fresno, Sacramento	N/A	\$ 276.70
	Butte, Colusa, Kings, Lake, Mariposa, Merced, Siskiyou, Yuba	\$ 334.20	\$ 335.40
	Madera, Tulare	\$ 224.80	\$ 276.70
Hawaii	Kauai	\$ 224.80	\$ 224.80
Illinois	Cook, Du Page, Lake, Will	\$ 384.80	\$ 411.30
Montana	Flathead, Gallatin, Golden Valley, Ravalli, Rosebud, Sanders, Sweet Grass, Treasure, Wheatland, Yellowstone	\$ 315.30	\$ 316.40
Nevada	Clark, Nye	\$ 415.40	\$ 447.80
New Mexico	Bernalillo, Cibola, Hidalgo, Sandoval, Taos, Valencia	\$ 200.90	\$ 192.10
Oregon	Crook, Deschutes, Lake, Lincoln, Wasco	\$ 315.30	\$ 316.40
	Jackson, Lane, Linn	\$ 415.40	\$ 411.30
	Baker, Benton, Columbia, Hood River	\$ 415.40	\$ 276.70
Texas	Austin, Harris, Jasper, Jefferson, Liberty, Orange, San Jacinto	\$ 261.30	\$ 316.40
	Cooke, Grayson, Henderson, Palo Pinto	\$ 415.40	\$ 411.30
	Denton, Erath, Hood, Navarro, Tarrant, Van Zandt, Wise	\$ 315.30	\$ 316.40
Washington	Clallam, Island, King, Kittitas, Pierce, Snohomish, Walla Walla	\$ 261.30	\$ 276.70

All Counties are included where Aetna Medicare Open Plan is available

**2010 Monthly Premium Rates**  
**Dental, Vision, Employee Assistance Program,**  
**Flexible Spending Accounts, Disability and Life Insurance Plans**

PLAN	CURRENT 2009	PROPOSED 2010
<b>Delta Dental</b>		
<u>Delta Dental DPO Plan</u>		
Employee Only	\$ 50.81	\$ 52.99
Employee and One Dependent	\$ 89.92	\$ 93.79
Employee and Family	\$ 144.14	\$ 150.34
<u>Delta Dental HMO Plan</u>		
Employee Only	\$ 15.97	\$ 16.39
Employee and One Dependent	\$ 28.56	\$ 29.32
Employee and Family	\$ 42.26	\$ 43.38
<b>Vision Service Plan</b>		
Employee Only	\$ 6.73	\$ 6.73
Employee and One Dependent	\$ 13.36	\$ 13.36
Employee and Family	\$ 20.49	\$ 20.49
<b>Employee Assistance Program (City Paid)</b>		
Employee and Family	\$ 1.65	\$ 1.73
<b>Flexible Spending Accounts Administration Costs (City Paid)</b>		
Health Care Account/Participant/Month	\$ 4.43	\$ 4.61
Dependent Care Account/Participant/Month	\$ 4.43	\$ 4.61
Electronic Payment Card/Participant/Month	\$ 1.56	\$ 1.56
Grace Period Processing/Participant/Month	\$ 3.00	\$ 3.00
<b>Long Term Disability Insurance – Hartford (City Paid)</b>		
All Employees except Police and Fire	\$0.585/\$100	\$0.500/\$100
<b>Short Term Disability Insurance – Hartford (Voluntary Employee Paid)</b>		
Managers	\$ 22.02	\$ 22.02
Supervisors	\$ 19.82	\$ 19.82
Police	\$ 16.95	\$ 15.14
<b>Basic Life AD&amp;D Insurance – Hartford (City Paid)</b>		
All Employees	\$ 0.21/\$1,000	\$ 0.125/\$1,000
<b>Supplemental Employee, Spouse &amp; Child Life Insurance – Hartford (Voluntary Employee Paid)</b>		
<u>Voluntary Employee and Spouse Life Insurance</u>	Rates/\$10,000	Rates/\$10,000
Up to and including age 29	\$ 0.68	\$ 0.68
Age 30-34	\$ 0.86	\$ 0.86
Age 35-39	\$ 1.24	\$ 1.24
Age 40-44	\$ 1.90	\$ 1.90
Age 45-49	\$ 3.14	\$ 3.14
Age 50-54	\$ 5.24	\$ 5.24
Age 55-59	\$ 8.46	\$ 8.46
Age 60-64	\$ 11.12	\$ 11.12
Age 65-69	\$ 17.48	\$ 17.48
Age 70-74	\$ 30.88	\$ 30.88
Age 75 and older	\$ 51.50	\$ 51.50
<u>Voluntary Child Life Insurance</u>		
\$2,000	\$ 0.33	\$ 0.33
\$5,000	\$ 0.55	\$ 0.55
\$10,000	\$ 0.89	\$ 0.89